



# TRANSPARENCY INTERNATIONAL-PAKISTAN

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**Advisory Committee**

15<sup>th</sup> October 2011

General Manager,  
P&D Division,  
Karachi Port Trust,  
Head Office,  
Edujlee Dinshaw Road, Karachi.

## 1<sup>st</sup> Reminder

Sub: Action for Recovery of Loss incurred to KPT of Rs. 550million for change in Tie Rod rates and for Tax Evasion in accordance with "Integrity Pact" in the Contract of KPT Project "Reconstruction of Berths 10-14"- TI letter dated 7<sup>th</sup> October 2011.

Dear Sir,

This is with reference to TI Pakistan's letter dated 07<sup>th</sup> October 2011 on the above subject, which has not been responded yet by the Karachi Port Trust.

TI-Pakistan forwarded you another complaint as proof of alleged fraudulently corruption by M/S Ssangyong Engineering & Construction Company Limited on KPT Contract.

The points raised in the letter were:

*"According to the new complaint, it has been reported that the Project Engineer KPT has written letter to CRE of M/S Lyon Associates and Techno Consult on 28<sup>th</sup> June 2011, to calculate and recover refund of Sales Tax of Rs. 112 Million to KPT (KPT Statement: By submitting Sales Tax Invoices for period 01-11-2008 and onward to Sales Tax Department mentioning KPT as buyer and not forwarded the copy of invoice to KPT as per Sales Tax Rules which is a breach of Sales Tax Act and thereafter applied for the refund which has been granted) and recovery of Custom Duty and Sales Tax to Rs. 105 Million (KPT Statement: Thus according to Clause 70.9 the adjustment in rates of imported item is to be made and savings incurred due to exemption from custom duty in excess of 5% and whole of Sales Tax on import of capital goods is to be passed on to Employer, Contractors working of Variation Order)".*

TI Pakistan also requested that:

*"This has to be examined by KPT that if same diameter tie rod were used, i.e. 140 mm diameter, then Contractor was entitled rate of Rs. 22,693 per meter, and not new rates claimed Rs. 48,199.20, and KPT would not have to pay additional sum of Rs. 55 carores. This claim is reported to be by circumventing the conditions of contract for obtaining extra item rates, under the method of extra item rate derivation. This amount of Rs. 55 carores needs to be recovered by KPT if the documents supplied by the compliant is correct."*



We would greatly appreciate if you would kindly respond to the letter and inform us about the finding and action being taken in this regard.

TI Pakistan is striving to have Rule of Law in Pakistan.

With Regards,

Syed Adil Gilani  
Advisor

Copies forwarded for the information with the request for action under the prevailing Rules and regulations invoke in their respective domain:

1. Chairman, Public Accounts Committee, Islamabad.
2. Chairman, NAB, Islamabad.
3. Registrar, Supreme Court.
4. Secretary, Ports and Shipping, Islamabad.
5. Chairperson, KPT, Karachi.
6. Auditor General, Islamabad.
7. Managing Director, PPRA, Islamabad.